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NO: 341, NOVEMBER 15, 11 PM

SENT BONN 294, DEPARTMENT 341 REPEATED INFORMATION MOSCOW 91,
POLAD USAREUR 96, LONDON, PARIS UNNUMBERED

A. PUBLIC REACTION KHRUSHCHEV SPEECH NOV 10.

WEST BERLIN POPULATION WELL AWARE OF SPEECH BUT DO NOT APPEAR
UNDULY PERTURBED. ALTHOUGH UNEASINESS UNDOUBTEDLY EXISTS
AMONG CERTAIN GROUPS SUCH AS BUSINESSMEN, THERE NO EVIDENCE
THAT KHRUSHCHEV SPEECH CONSIDERED DIFFERENT FROM PREVIOUS
THREATS. OPINION APPEARS TO BE WIDESPREAD THAT SOVS WOULD NOT
RPT NOT GO TO WAR OVER BERLIN AND MUCH OF SPEECH THEREFORE
A BLUFF. ALLIED STATEMENTS, ESPECIALLY ANNOUNCEMENT 600
PLANES READY FOR AIRLIFT, REGARDED AS EVIDENCE CONCRETE
ALERT MEASURES UNDER ACTIVE CONSIDERATION TO CALL HIS BLUFF.
WITH MEMORY OF BLOCKADE PEOPLE GENERALLY SEEM TO FEEL THAT
WESTERN FIRMNESS IN FACE OF THREATS IMPLIED BY KHRUSHCHEV
IS WHAT IS NEEDED IN PRESENT SITUATION, AND IN ALL LIKE-
LIHOOD ALL THAT EVER WILL BE NEEDED. ALL OF OUR CONTACTS
REPORT POPULATION'S CONFIDENCE IN WESTERN ESPECIALLY U.S.
STEADFASTNESS, BUT THEY CAUTION THAT ANY SIGN OF ALLIED
IRRESOLUTENESS COULD SIGNIFICANTLY CHANGE PUBLIC TEMPER.

ACCORDING BARLRFCK DECN# LABOR LEADERS, A LARGE PERCENTAGE OF
POPULATION BELIEVES CURRENT COMMUNIST PROPAGANDA OFFENSIVE
CONNECTED WITH WEST BERLIN ELECTIONS, COMMUNIST OBJECTIVE
BEING TO CREATE CONFUSION AND PREVENT FORMATION UNITED FRONT
AGAINST SED AT TIME WHEN PARTIES HAVE TO BATTLE EACH OTHER
FOR VOTES. SEALING OFF EAST FROM WEST BERLIN (AS DISTINGUISHED
FROM OUTRIGHT BLOCKADE) GENERALLY THOUGHT IMPROBABLE.

B. OFFICIAL REACTION

PERMANENT

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WEST BERLIN OFFICIALS PRIVATELY EXPRESS CONCERN WHILE PUBLICLY POOH-POOHING COMMUNIST THREAT. ELECTION ATTACKS OF CDU, SPD AND FDP ON EACH OTHER NOW TONED DOWN AND SENATOR FOR INTERIOR LIPSCHITZ TOLD MISSION OFFICER HE WOULD RECOMMEND CALLING OFF PRE-ELECTION CAMPAIGN ENTIRELY IF SITUATION SHOULD WORSEN.

LONG RANGE CONCERN OF WEST BERLIN OFFICIALS FOCUSED ON FOLLOWING POINTS: (1) WHILE NO SIGNS OF WEAKNESS DETECTABLE IN POPULATION IN GENERAL, BUSINESS CIRCLES APPREHENSIVE RE POSSIBILITY SUBSEQUENT DECLINE FEDREP ORDERS WITH WEST BERLIN INDUSTRY. AMREHN MENTIONED THERE ISOLATED INSTANCES WEST BERLIN MANUFACTURERS READY TO SELL TO EAST BERLIN TO INCREASE SALES, IMPLYING CONCERN THIS TENDENCY MIGHT INCREASE IN EVENT SIGNIFICANT DECLINE FEDREP ORDERS. (2) WEST BERLIN PROSPERITY MAY HAVE IMPAIRED WILL TO RESIST AS COMPARED WITH 1948 WHEN PEOPLE HAD NOTHING TO LOSE. STRANGULATION OF FLOURISHING ECONOMY WOULD OBVIOUSLY HAVE STRONG ADVERSE PSYCHOLOGICAL EFFECT. IN THIS CONNECTION FEDERAL REPRESENTATIVE VOCKEL TOLD MISSION OFFICER THAT HIS EFFORTS MAINTAIN INTER-ZONAL TRADE AND RECENTLY ANNOUNCED INCREASE COAL SHIPMENTS TO EAST GERMANY MOTIVATED BY CONVICTION THIS NECESSARY PRICE TO KEEP OPEN TRANSIT ROUTE FOR WEST BERLIN TRADE. HE SAID THAT WHILE AIRLIFT ABLE TO MAINTAIN ESSENTIAL SUPPLIES, IT OBVIOUSLY INCAPABLE TO TRANSPORT 700,000 TONS MONTHLY WHICH NOW RECEIVED IN TOTAL IMPORTS NOR COULD 100,000 TONS FINISHED PRODUCTS BE FERRIED OUT. (3) ALTHOUGH BERLIN OFFICIALS HAVE NO DOUBT WE WILL STAND BY OUR COMMITMENTS THEY ARE CONCERNED THAT GRADUAL INTRODUCTION OF VOPO CONTROL OF ACCESS MIGHT RESULT IN SLOW BLOCKADE, PARTICULARLY IF EACH STEP APPEARS RELATIVELY INCONSEQUENTIAL AND WOULD NOT WARRANT STRONG WESTERN REACTION IN PUBLIC EYE. CERTAIN OFFICIALS SUCH AS AMREHN AND VOCKEL FEEL THAT ALLIED SUBMISSION OF VOPO CONTROLS WOULD START DANGEROUS WHITTLED DOWN PROCESS AND BE INTERPRETED AS SIGN OF WEAKNESS, THEREFORE CAUSING PUBLIC UNEASINESS. VOCKEL SAID WESTERN POWERS MUST BE PREPARED TO RUN THROUGH VOPO BARRIER AND THAT SUCH ACTION NOT LIKELY TO LEAD TO ARMED ENGAGEMENT WITH EAST GERMAN FORCES. MAYOR BRANDT EXPRESSED DIFFERENT VIEW (SEE OURTEL 290 TO BONN, 337 DEPT, 93 USAREUR, 88 MOSCOW). LIPSCHITZ THOUGHT USE OF FORCE WOULD HAVE TO BE CAREFULLY CONSIDERED

IN VIEW

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IN VIEW KHRUSHCHEV STATEMENT SOVIETS WOULD STAND BY WARSAW PACT COMMITMENTS TO GDR. HE VAGUELY SUGGESTED POSSIBLE FREE WORLD COUNTERMEASURES IN OTHER PARTS OF GLOBE. BERLIN DG CHAIRMAN SCHARNOWSKI TOLD US HE HAD REPLIED TO WEST GERMAN QUERY "DID HE BELIEVE U.S. WOULD GO TO WAR FOR BERLIN" BY SAYING "DO YOU THINK SOVIETS WOULD?".

C. ECONOMIC EFFECT.

ALTHOUGH THERE HAVE BEEN INDICATIONS OF UNEASINESS IN BUSINESS-- FINANCIAL CIRCLES, REPERCUSSIONS KHRUSHCHEV SPEECH ON BERLIN ECONOMY HAVE IN GENERAL BEEN MILD.

1. STOCK EXCHANGE PRICES OF SHARES OF COMPANIES OPERATING IN BERLIN DECLINED NOV 11 AND 12 PRIMARILY BECAUSE OF PRESSURE OF SALES BY FOREIGN HOLDER, PRINCIPALLY SWISS. DOWNWARD TREND HALTED NOV 13 AS RESULT CONFIRMATION STRONG ALLIED POSITION ON BERLIN, GROTEWOHL PRESS CONFERENCE, AND ENTRANCE INTO MARKET OF INVESTMENT TRUSTS BUYING AT MORE ATTRACTIVE PRICES. BERLIN EXCHANGE REPORTED LESS "NERVOUS" THAN WEST GERMAN EXCHANGES.
2. NO UNUSUAL VOLUME OF BANK TRANSFERS OR SIGNIFICANT FLOW OF CAPITAL FROM BERLIN REPORTED, OTHER THAN SOME TRANSFERS OF FOREIGN-HELD CONVERTIBLE DM. (SEE ALSO OURTEL 290 TO BONN 337 TO DEPT.)
3. MAYOR BRANDT MADE STRONG PUBLIC STATEMENT THAT ANYONE CANCELLING ORDERS OR WITHDRAWING FUNDS SERVING COMMUNIST ENDS. CANCELLATION OF ORDERS NOT SIGNIFICANT TO DATE, BUT BRANDT STATEMENT PROMPTED BY RUMORED PENDING CANCELLATION TWO IMPORTANT ORDERS.
4. SO FAR NO INDICATION ANY CHANGE IN INVESTMENT PLANS, THOUGH IT WOULD BE DIFFICULT DETECT CHANGE SUCH EARLY STAGE.
5. NO EVIDENCE SCARE BUYING.

BURNS

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